

Good afternoon. My name is William H. Young. I am the President of the National Association of Letter Carriers. On behalf of 300,000 active and retired city letter carriers across the nation, thank you for this opportunity to share our views on the crucial issue of postal reform.

NALC is the exclusive collective bargaining representative of approximately 220,000 city letter carriers who work in every state and territory of the nation. We are proud to be the best organized open shop union in the country as some 92 percent of all city carriers are voluntarily enrolled as members. Like the nearly 500,000 other postal employees represented by my colleagues appearing here today, city letter carriers have a tremendous stake in the future of the Postal Service. For them postal reform is not simply a policy matter or even a political issue, it is a matter of great personal importance for themselves and their families. So I wish to thank Chairman McHugh, Representative Tom Davis, Congressman Henry Waxman, Representative Danny Davis and all the members of the Special Panel on Postal Reform for taking up this vitally important issue.

Over the past decade, my union has been urging Congress to pursue comprehensive postal reform. In 1994, my predecessor as NALC President called for an overhaul of the Postal Reorganization Act. Since then we have made a sustained effort to educate our members and the public at large about postal reform. We have long recognized the need for a new business model for the U.S. Postal Service in the age of the Internet. As it has for more than 200 years, technology is changing the communications needs of the American people and the commercial needs of American economy. And as in the past, our nation's postal system must change to meet these needs.

A lot is riding on our ability to meet the changing needs of the country. The Postal

Service lies at the core of a \$900 billion mailing industry, a major slice of the U.S. Gross Domestic Product. If you take into account all the industries that rely on a healthy and reliable national postal service, which include printers and publishers, online merchants and direct marketers, the jobs of some 9 million Americans are at stake. Beyond that, the economic health and viability of whole regions of the country where population density is low or where urban redevelopment is desperately needed, a healthy postal system is a vital part of the nation's infrastructure, as important as roads, power plants and other basic utilities.

Over the past 10 years, the debate on postal reform has been largely confined to the House of Representatives. For many of you this has been a lonely enterprise and progress has been slow. But thanks to your perseverance and the recent work of the President's Commission on the United States Postal Service, it now appears that the White House has endorsed your efforts to make postal reform a reality. NALC supports the general principles for reform recently outlined by President Bush and welcomes the renewed interest of key Senate leaders on this important issue. NALC looks forward to working with leaders of both Houses of Congress to achieve bipartisan postal reform in 2004.

Today I would like to briefly address the big picture of postal reform before turning to the key workforce issues that are the main topic of this panel's testimony.

As you all know, the basic challenge facing the USPS is that electronic communications are gradually replacing key segments of the First-Class Mail stream. That mail stream helps finance an ever-expanding universal delivery network. The Postal Service delivers to 140 million households and businesses six days a week, 10 times the daily deliveries of private companies like UPS and Federal Express. That extraordinary network and the capacity it gives to every citizen and business in the country to reach every other citizen

and business in the country every day is invaluable. The Postal Service is, in short, a national treasure that is worth preserving.

How can we do that if the delivery network continues to grow every year by millions of addresses while traditional mail volume growth is flat or declining? Some say its time for privatization and deregulation. The American people strongly oppose these options and, after careful study, the President's Commission rightly rejected them. This leaves few options for Congress. It can "go back to the future" and ask taxpayers to directly subsidize postal services. It can simply downsize the Postal Service in an attempt to achieve cost savings that mirror the decline in postage revenues. Or it can give the Postal Service the kind of commercial freedom that would allow it to replace lost revenues with new sources of income and to optimize the value of the national delivery and post office network.

NALC urges you to opt for the last approach. Last week's report from the CBO on the growing federal budget deficit makes it clear that the first option is out the question – even if Congress were so inclined, the federal government simply does not have the funds to subsidize the USPS. Besides, there is no reason to throw away one of the great achievements of the Postal Reorganization Act: the huge savings to taxpayers that resulted in the elimination of such subsidies. The downsizing option is equally unappealing. Universal service – which includes deliveries six days a week and easy access to a nationwide network of post offices – is just too valuable to the country to give up. Downsizing is not a viable option – closing post offices and reducing services will only make our problems worse by driving more mail from the postal system. Affordable universal service is the key to the future health of the nation's postal system.

So the answer is to give the Postal Service and its employees the tools to make the

Postal Service more valuable to mailers and to the country. That means giving the USPS greater flexibility to set its prices and the ability to partner with other companies to offer new services and/or to use its network to satisfy the needs of America's citizens and its millions of businesses. Greater commercial freedom would allow the USPS to maximize revenues and control costs while retaining the value of universal service. We recognize this approach poses the difficult challenge of balancing commercial concerns and public service considerations, but it is possible to give the USPS the flexibility it needs while protecting the legitimate concerns of competitors, customers and the public at large. Many industrialized countries have successfully adopted post office models that combine commercial freedom, public ownership and a regulated monopoly. NALC urges the Congress to do the same.

Let me now turn to the main topic of this hearing, postal workforce issues. Our starting point is simple: Collective bargaining is a fundamental right of all workers, recognized under both international and domestic law. The National Labor Relations Act recognizes this right and, as a matter of national policy, encourages collective bargaining. The Postal Reorganization Act rightly established collective bargaining in the Postal Service under the auspices of the NLRA. Before addressing some principles for workforce reforms and a number of specific workforce issues, I'd like to make three general points.

First, I'd point out that collective bargaining in the Postal Service has been a resounding success. Since the Postal Reorganization Act was enacted, there has not been a single work stoppage or significant disruption in service as a result of labor relations. Given that the PRA was enacted in part as a result of a national postal strike in 1970, this 34-year record of peaceful labor relations should not be minimized.

In fact, postal collective bargaining has been a "win-win-win" proposition:

- Postal workers have maintained decent pay and benefits resulting from the PRA – in stark contrast to the extremely low salaries that led to the strike in 1970;
- Taxpayers have saved tens of billions of dollars as a result of the elimination of direct and indirect Treasury subsidies to the Postal Service; and
- Postal Service customers have enjoyed stable postage rates that have generally increased in line with the overall rate of inflation over the course of the past three decades. (Indeed, taking postage costs and taxpayer costs together, the cost of mailing letters in America has fallen by more than a third in inflation-adjusted terms.)

All three groups – workers, taxpayers and mailers – have shared the fruits of major efficiency gains achieved over the past 30 years. The Bureau of Labor Statistics reports that postal labor productivity increased nearly 40 percent between 1972 and 2001 – a figure that does not account for the large reductions in the postal work force of the past two years. Postal collective bargaining has ensured that postal workers have shared in the benefits of these efficiency improvements. Congress can be proud that the existing collective bargaining system allows postal workers to enjoy middle class pay and benefits while maintaining the most affordable postage rates in the world and doing so without placing a burden on the American taxpayer.

Second, it is important to note that neither the postal unions nor postal management favor radical changes to existing postal collective bargaining system. We understand the unique nature of the USPS. We recognize that as an essential service that is vital to the national economy, the Postal Service is too important to the nation to allow disruptions. As a result we realize that any postal reform legislation will retain the existing prohibition against strikes and management lock-outs. A workable system for resolving collective bargaining impasses is therefore essential. NALC believes the existing system of interest arbitration has worked extremely well.

Third, it is important to note that postal labor relations have improved dramatically in recent years. All four unions have labor contracts in place that were voluntarily negotiated. All have made progress in reducing the number of work place grievances using various mechanisms. As the President's Commission noted, my union's use of an alternative dispute resolution system is helping to transform workplace relations between the nation's letter carriers and their supervisors for the better. Since the Commission's report was issued, we have taken the next step to jointly identify problem work sites and to train labor-management intervention teams to propose practical solutions. These improvements occurred not because Congress or the GAO or any other outside party mandated them; they happened because the parties themselves worked very hard to seek common ground and to find ways to resolve mutual problems. Postmaster General Jack Potter and his team deserve credit for working with us to achieve this transformation.

With these general points in mind, NALC urges you to abide by four principles when you consider reform of the collective bargaining system:

- One, I urge you to follow the Hippocratic Oath: "First, do no harm." The system we have is not perfect – indeed, no system is perfect. But the parties have learned how to work together within the current framework and, as I outlined above, the process has worked well for all concerned. At a time of great change for the Postal Service in other areas, labor stability is crucial.
- Two, maintain the flexibility that is built into the current law. The PRA contains specific but flexible timetables for negotiating contracts and resolving collective bargaining impasses. It also provides a menu of options for impasse resolution

and gives the parties the flexibility to shape these options for use when appropriate as conditions change. Indeed, the unions at this table have used at various times, mediation, fact finding, mediation-arbitration, mediation-fact finding in combination and last best offer arbitration. In the face of constant change, the flexibility of the current law is a virtue.

- Three, avoid politicizing the collective bargaining process. Congressional or White House intervention in the process would be highly destructive. This would inevitably happen if a politically appointed regulatory body were injected into the negotiations process.
- Four, avoid exposing the process to outside litigation. Subjecting the results of collective bargaining to litigation before a postal regulatory board, as proposed by the President's Commission, would be disastrous to the process. Depending on the prevailing political winds of the day and the makeup of the regulatory board at any particular moment, either side might be tempted to try to obtain from regulators what they could not expect to achieve through good faith bargaining.

Finally, I wish to address a couple of specific issues that have arisen in the wake of the report of the President's Commission on the USPS – the direct negotiation of pension and health benefits, and changes to the system of interest arbitration.

The Commission recommended that the administration study the feasibility of separate health and retirement plans for postal employees and that Congress consider making such benefit programs a direct subject of collective bargaining. I note that Senator Collins and Senator Carper have formally asked for such a study. Like you I await the

results of that study with some interest. In the meantime, I'd like to share with you the NALC's perspective on these issues.

As you know, as employees of the federal government, postal employees are covered by either of the two federal pension plans, CSRS and FERS, and by the Federal Employees Health Benefit Program. Although eligibility for participation in these programs is automatic and is not subject to collective bargaining, it is important to understand that the cost of such benefits figure very prominently in postal labor negotiations. In the area of health benefits, postal management and its unions already directly negotiate the share of premiums to be paid by workers and the Postal Service. And when it comes to negotiating wage increases, the rising cost of pensions is explicitly discussed by the parties. The so-called roll-up factor for employee fringe benefits – the added cost of benefits when postal wages are increased – is never far from the negotiators' minds. And you can be sure that no interest arbitration panel employed over the past 20 years has been spared voluminous evidence from both sides on the cost of health and pension benefits.

My point is this: Although the parties do not directly negotiate over all aspects of postal benefit costs, these costs are not ignored and they invariably affect the results of wage negotiations. Indeed, a close examination of postal wage trends over the past 25 years reveals that postal wages have increased much less than wages in the private sector as measured by the Employment Cost Index. Since September 1975 when it was introduced the ECI for wages of private sector wages increased by 259 percent. Over the same period, postal bargaining unit wages increased 212 percent. I submit that this wage restraint is a direct reflection of the efforts of negotiators (and interest arbitrators) to restrain wage costs in the face of skyrocketing health and pension costs.

Given this context, we do not believe that is necessary to formally place health and pension programs on the collective bargaining table. The parties already effectively take these costs into account.

However, there are also practical reasons for rejecting separate postal-only benefit plans and/or direct negotiations.

Separating postal employees from CSRS, FERS and FEHBP would destabilize the programs for the rest of the federal workforce. The removal of postal employees from existing FEHBP plans, for example, would raise health care costs for other agencies and their employees since studies have shown postal employees to be healthier on average than other federal workers. Separate postal pension plans would add administrative costs for the Postal Service as it would have to create a new bureaucracy to run a postal-only plan that would inefficiently duplicate the existing system used by the Office of Personnel Management to disburse pension benefits.

Direct negotiation of benefit plans also raise the specter of introducing destructive inequities in pension and health benefit coverage both among postal employees – who are represented by four different unions – and between postal employees and other federal employees.

Let me turn to one other specific workforce topic raised by the President's Commission: Reforms to the postal interest arbitration process. The Commission suggested major changes to the existing dispute resolution process, including the elimination of tripartite arbitration, the imposition of a strict timetable for mediation and arbitration, the required use of "last best and final offer" procedures and regulatory review of collective bargaining agreements.

We believe these changes are unnecessary and counterproductive for a couple of very practical reasons. First, the Commission's proposals would discard 30 years of experience by the parties and require us to start all over again under a radically different process – a prospect that would inevitably impose significant costs on both sides. Second, we believe the only workable changes to the system of collective bargaining must be developed and negotiated by the parties themselves, not externally legislated or mandated. Both parties must see the process as “their process” for the results to be legitimate. The existing system gives us the flexibility to shape the dispute resolution process without outside intervention.

Let me add one last note on interest arbitration. We believe the existing dispute resolution system is a fair and acceptable alternative to the right to strike. I say this not because we always prevail when we go to interest arbitration. Indeed, on more than one occasion we have lost. In the 1990s an interest arbitration panel chaired by Richard Mittenthal adopted a USPS proposal to create a lower-paid temporary work force to handle the transition to full automation and another panel chaired by Rolf Valtin increased the employees' share of health insurance premiums. I say it because, win or lose, my members know that the existing system gives us a fair chance on the merits and therefore they accept the results as legitimate. The Commission's proposed changes in the area of interest arbitration fail this basic test of fairness. They would surely do more harm than good.

I want to conclude my testimony by repeating something I told the members of the President's Commission at its first public hearing in February 2003. Good labor relations must be built of trust and good faith between the parties. No amount of tinkering with the mechanics of the collective bargaining process will change that basic

fact. At this moment of great challenges for the Postal Service, we have worked hard with the Postmaster General to build trust between us and to improve the workplace culture in the Postal Service. Please tread lightly in these areas so as not to risk the progress we've made.

I offer this Panel the full cooperation of the men and women who deliver the nation's mail everyday. Working together we can ensure that every American household and business will continue to enjoy the best postal service in the world for decades to come.